

Services broadly stable in November

The Australian Industry Group Australian Performance of Services Index (**Australian PSI®**) rose by 2.0 points to 49.6 points (seasonally adjusted) in November 2021 marking a return to broadly stable conditions following three months of decline. Results below 50 points indicate contraction in the **Australian PSI®**, with lower numbers indicating a stronger contraction.

Two of the five services sectors available in the **Australian PSI®** in November reported growth and three reported contractionary conditions (seasonally adjusted). Logistics and health, education & community services expanded in November as they did in October. The contraction in business & property services, retail trade and 'personal, recreational and other services' eased in November in line with reduced restrictions. Two of the five activity indicators in the **Australian PSI®** rose in November (seasonally adjusted). The sales and employment indexes were both positive, but both decelerated slightly from the previous month. New orders, supplier deliveries and finished stocks all contracted but the rate of contraction moderated in November compared to October.

Easing restrictions in Victoria led to some improvement in conditions, particularly for businesses in the **Australian PSI®** who returned to more normal trading terms in November. Interstate and international border restrictions continue to inhibit travel for respondents in both business and consumer-oriented sectors. The reduction of travel demand from consumers and the inability of businesses to access their own or customer sites, dragged on activity. Some businesses are reporting difficulties sourcing stock as well as input cost increases. Businesses plan to find new suppliers and boost inventories to buffer against future supply shortages, as well as increase employment and investment over the next few months.

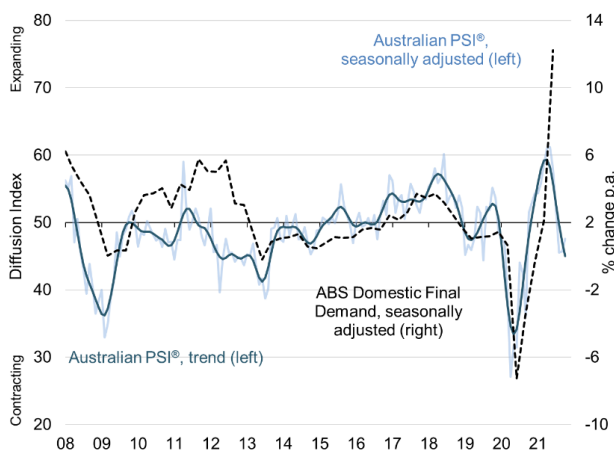
November 2021

MEDIA CONTACT

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Australian PSI® ▲ 2.0 points (seasonally adjusted)	49.6
Australian PSI® ▼ 0.7 points (trend)	45.9
Business & property services ▲ 7.4 points (seasonally adjusted)	42.0
Logistics ▲ 5.3 points (seasonally adjusted)	61.7
Finance & insurance	n.a.
Retail trade & hospitality ▲ 6.9 points (seasonally adjusted)	41.8
Health & community ▲ 10.8 points (seasonally adjusted)	62.9
Personal, recreation & other services ▼ 1.2 points (seasonally adjusted)	47.5

Australian PSI® and ABS domestic final demand



Business-oriented services sectors: The business oriented sectors in the **Australian PSI®** reported diverse results in November (seasonally adjusted). Some respondents reported an improvement in demand following the lifting of most restrictions in Victoria and easing state border restrictions for selected states, however other respondents reported subdued demand. Logistics (transport, storage and wholesale trade) saw another increase in demand for freight transport and reported positive conditions for the sector. Customers sourcing local suppliers to stabilise supply chains, solid activity from the mining and agricultural sector as well as increased construction activity were positive drivers of demand for logistics.

Consumer-oriented services sectors: Health, education & community services reported positive conditions again in November as demand rose following a return to more normal operations particularly in Victoria. The retail trade & hospitality and ‘personal, recreation and other services’ sectors reported an easing in their pace of decline however staff and supply shortages were a concern. Tourism demand remains subdued due to interstate and international border restrictions.

Services prices and wages: The input price index eased in November but remains elevated as it has on average across the year. November 2021 marked 17 months of input price increases after a record low for this index in June 2020. The average wage index moderated, indicating an easing in wages growth, but remained above the long term average for this index. The selling prices index was positive for a ninth month but decelerated from October, this index has been positive across 2021 indicating businesses are passing on increased costs to their customers.

Services activity, orders, employment and deliveries: The sales index in the **Australian PSI®** was positive in November. It has been volatile in the second half of 2021 following stronger results earlier in the year. The new orders index contracted for a third month as purchasing decisions are deferred for many businesses. Employment growth remained positive, marking eight months of growth this year. The supplier deliveries index contracted at a similar rate to October and the inventories index contracted (below 50 points) as some businesses experienced difficulties obtaining new stock.

Capacity utilisation rose to 79.2% of available capacity utilised across the services sectors in November 2021. This index has been elevated for much of the year, across 2021 it averaged 79.8% of available capacity above its long term average of 76.4%. This above average utilisation rate for 2021 was recorded despite reduced activity and work hours during lockdowns; businesses have told us they plan to increase investment and employment in the new year.

Services highlights: Conditions improved as activity restrictions eased, particularly for services segments that returned to normal trading operations, however they are still not back to the levels seen earlier in the year. Orders from construction and agricultural customers remained robust. Some businesses reported good sales to new clients seeking local suppliers and customers building inventories.

Services concerns: Supply shortages, staff shortages and border restrictions continued to hamper businesses in November. Uncertainty remains a key concern for some respondents while they wait to see what happens as restrictions change. Strengthening supply chains, finding appropriate staff and managing increased input costs are key concerns for businesses across all services sectors in the near future.

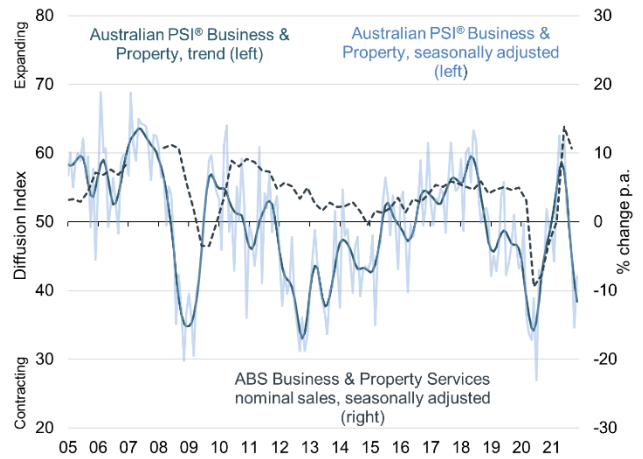
Australian PSI® key numbers (seasonally adjusted)	Index this month	Change from last month	Historical average	Australian PSI® sectors (seasonally adjusted)	Index this month	Change from last month	Historical average
Australian PSI® (s.a.)	49.6	2.0	50.1				
<i>Activity indexes</i>				<i>Business-oriented services</i>			
Sales	53.6	-1.6	50.5	Business & property	42.0	7.4	50.7
Employment	56.2	-0.6	50.3	Logistics	61.7	5.3	47.6
New Orders	47.4	8.6	50.7	Finance & insurance	na	na	53.5
Supplier deliveries	40.4	0.9	48.7	<i>Consumer-oriented services</i>			
Finished stocks	42.5	2.7	48.8	Retail trade & hospitality	41.8	6.9	47.6
Capacity Utilisation (%)	79.2	4.7	76.4	Health & education	62.9	10.8	51.7
<i>Prices and wages</i>				Personal, recreational & other services	47.5	-1.2	53.2
Input Prices	65.3	-8.3	64.0				
Selling Prices	58.2	-3.5	48.9				
Average Wages	59.8	-8.5	57.2	Australian PSI® (trend)	45.9	-0.7	49.9

Results above 50 points indicate expansion. Trend indexes in the Australia PSI® are calculated with a Henderson 13-month filter formula.

na. Results are not available for this sector in this period due to unusually low survey response numbers. All sectors are included in the total results.

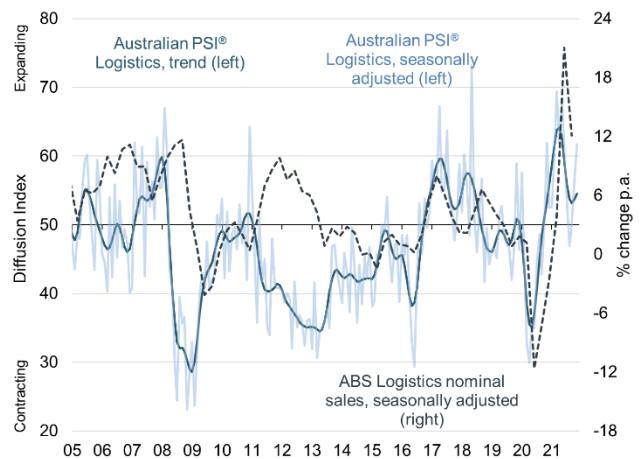
Business and property services

- Business & property services include professional services (accounting, legal and consulting), IT, media, telecommunications, administrative services, real estate & property management services. This sector produced \$313.7bn in real value-added output in the year to Q3 2021 (equal to 15.5% of GDP, ABS data).
- Business & property services employed 2,032,800 people in August 2021 (15.6% of total employment).
- The index for business & property services rose by 7.4 points to 42.0 points in November 2021 (seasonally adjusted). This indicated a third month of contraction following six months of positive or stable conditions earlier in 2021.
- A number of respondents reported increased demand but for the majority, supply disruption, border restrictions and ongoing uncertainty had a dampening effect on demand in November. Businesses report being unable to visit their own and client sites and customers deferring new orders and sales.



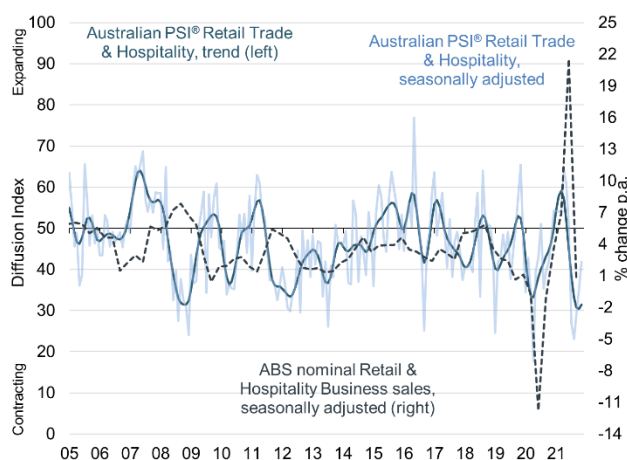
Logistics services

- Logistics includes wholesale trade, transport and storage services. It produced \$162.7bn in real value-added output in the year to Q3 2021 (equal to 8.0% of GDP, ABS data).
- Logistics employed 981,300 people in August 2021 (7.5% of total employment).
- The logistics index improved by 5.3 points to 61.7 points in November, indicating positive and improving conditions for this sector (seasonally adjusted).
- Customers sourcing new local suppliers, strong demand from the mining, construction and agricultural sectors and easing restrictions had a positive effect on logistics businesses across the month.
- Difficulties sourcing stock and continued uncertainty inhibited despite easing restrictions affected activity for some businesses; rising input costs remained a concern in November.



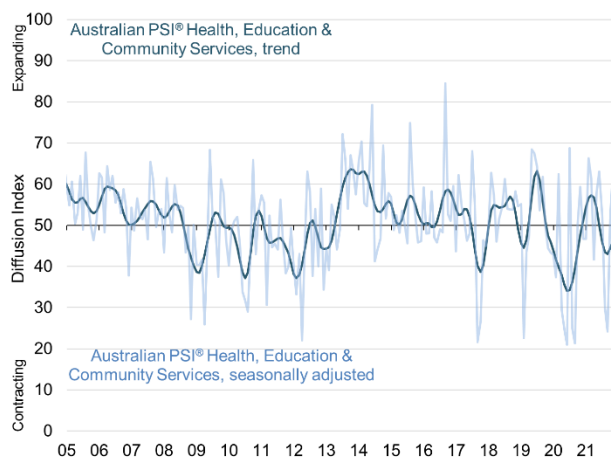
Retail trade & hospitality services

- The retail trade & hospitality sector (including shops, restaurants, cafes, take-aways, hotels & accommodation) produced \$124.3bn in real value-added output in the year to Q3 2021 (equal to 6.1% of GDP, ABS).
- Retail trade and hospitality employed 2,075,600 people in August 2021 (15.9% of total employment). Most retail & hospitality staff are part-time (under 35 hours per week).
- The index for the retail trade & hospitality sector rose by 6.9 points to 41.8 points in November (seasonally adjusted). The rate of contraction eased as retail trade returned to more normal conditions, however it is the fourth month of contractionary conditions for the sector following a positive run in the first half of 2021.
- Retailers reported a shortage of supplies, increased costs, and improvements in demand. State and international border restrictions continued to affect demand for tourism. Some hospitality businesses reported increased demand but staff shortages and costs are a concern.



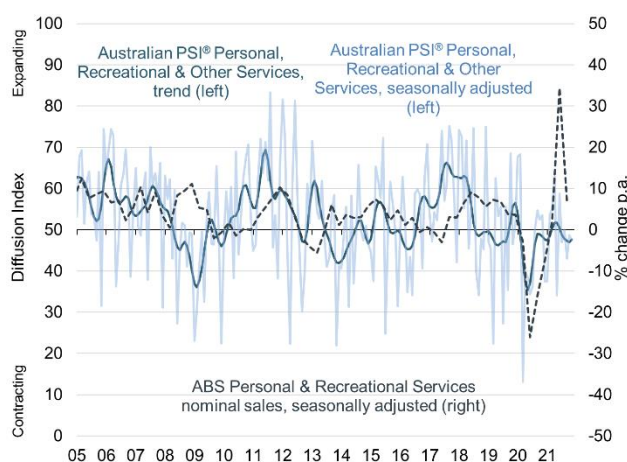
Health, education & community services

- Health, education & community services produced \$253.6bn in real value-added output in the year to Q3 2021 (12.5% of GDP, ABS).
- This group of industries employed 2,972,800 people in August 2021 (22.8% of total employment). 56% of workers in education and 25% of workers in health and welfare are employed directly by the public sector.
- The index for this sector improved substantially to 62.9 points in November (seasonally adjusted). Demand for health, welfare services and education improved as restrictions in some locations eased.

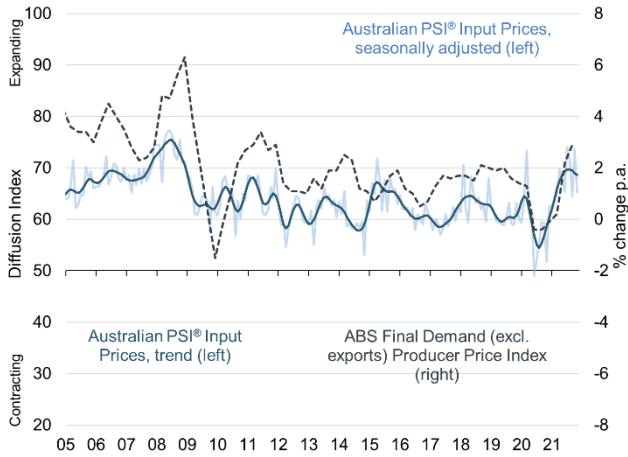


Personal, recreational & other services

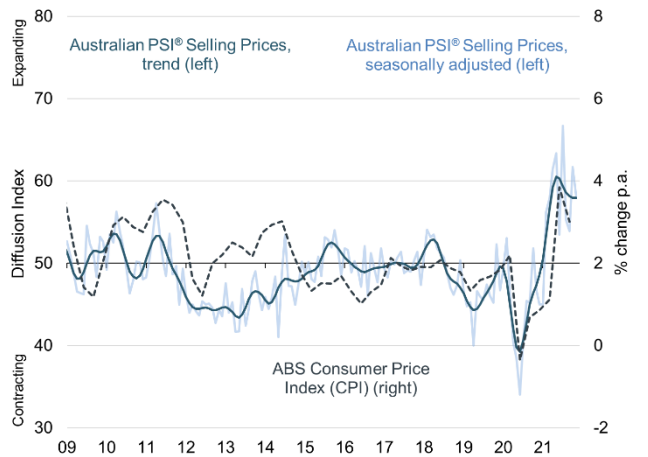
- Personal, recreational, & other services produced \$48.0bn in real value-added output in the year to Q3 2021 (equal to 2.4% of GDP, ABS data).
- This sector employed 744,600 people in August 2021 (5.7% of total employment).
- The index for 'recreational, personal & other' services moderated by 1.2 points to 47.5 points indicating contractionary conditions for the sector in November (seasonally adjusted).
- Border restrictions continued to hamper businesses needing interstate access to their own and customer sites.



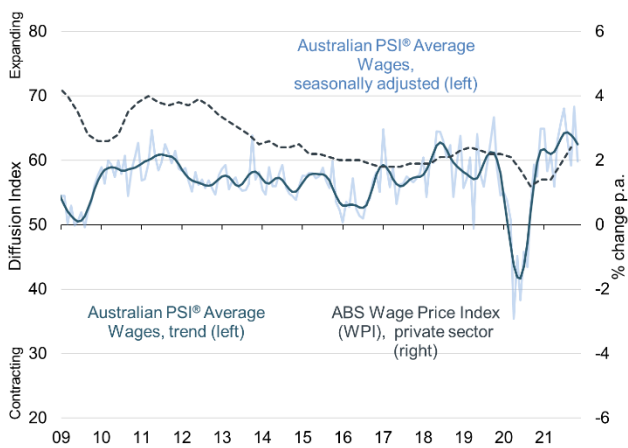
Input prices



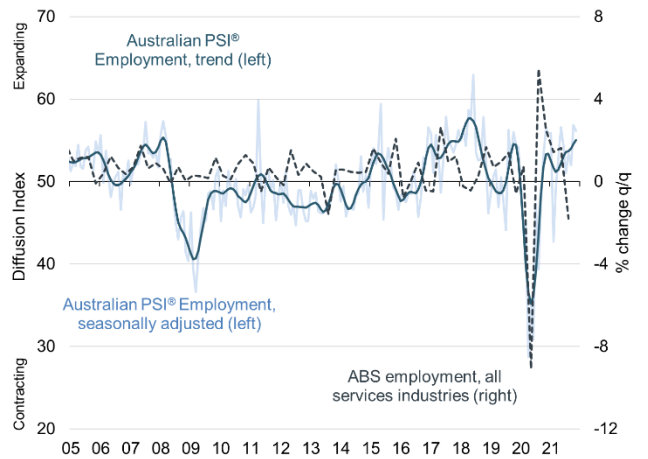
Selling prices



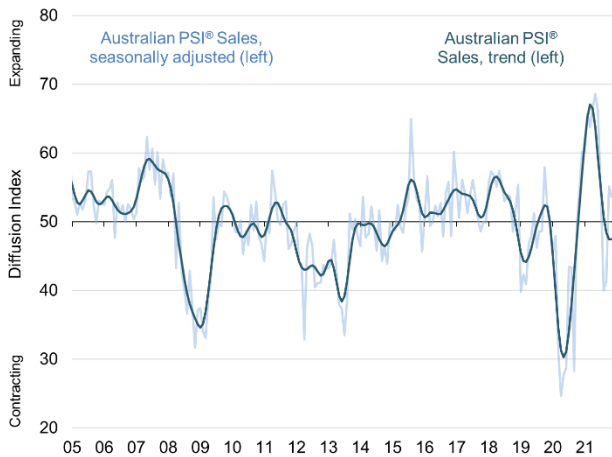
Average wages



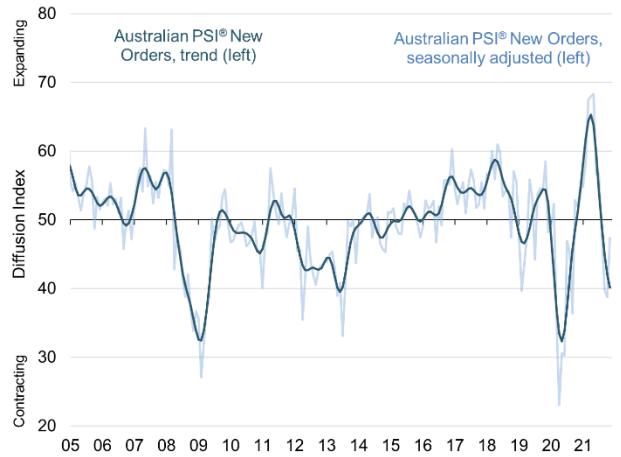
Employment



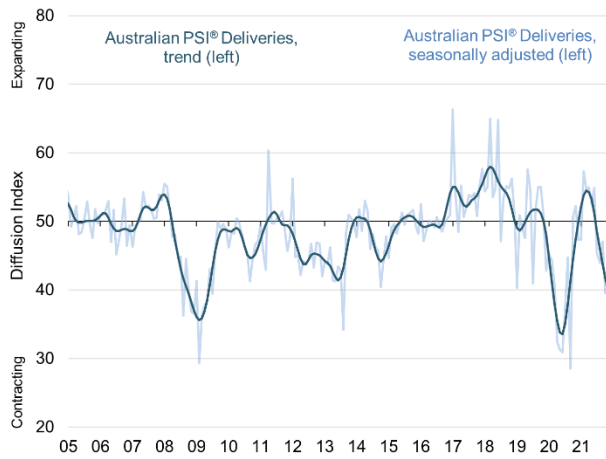
Sales



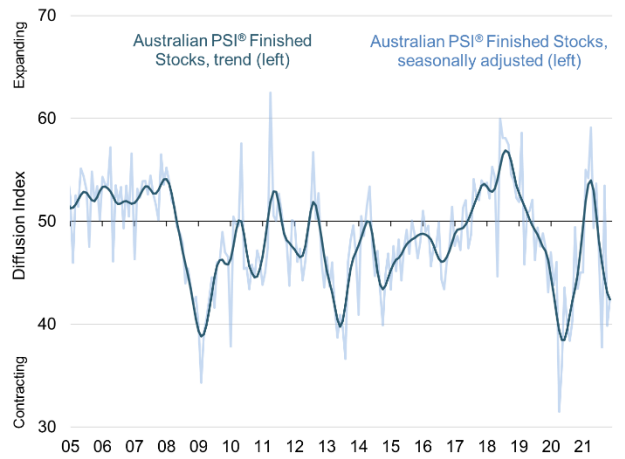
New orders



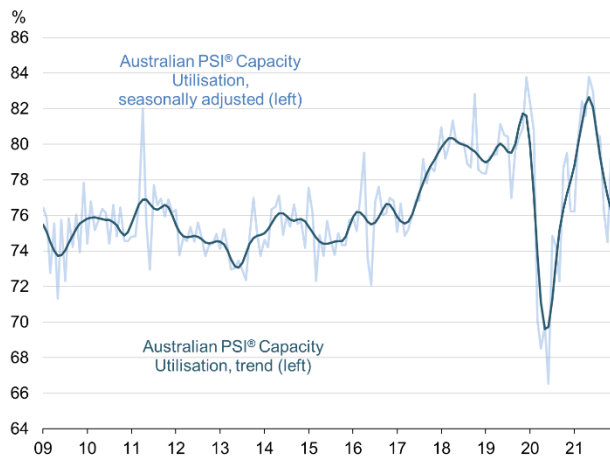
Supplier deliveries



Finished stocks (inventories)



Capacity utilisation



Business services sectors

The Australian PSI® classifies each business according to their main activity using the industry data codes and definitions set out in the ANZSIC 2006. These match ABS data that use the same codes. The 6 sectors in the Australian PSI® are:

1. **Business, Property, Information & Telecommunications services** - Divisions J, L, M and N - includes businesses engaged in renting, hiring, or otherwise allowing the use of tangible or intangible assets (except copyrights), and businesses providing related services; businesses mainly engaged in providing professional, scientific and technical services; and businesses mainly engaged in performing routine support activities for the day-to-day operations of other businesses or organisations; businesses mainly engaged in: creating, enhancing and storing information products in media that allows for their dissemination; transmitting information products using analogue and digital signals (via electronic, wireless, optical and other means); and providing transmission services and/or operating the infrastructure to enable the transmission and storage of information and information products.
2. **Logistics (Wholesale Trade, Transport & Storage)** - Divisions I and F - includes businesses engaged in the purchase and onselling, the commission-based buying, and/or the commission-based selling of goods, without significant transformation, to businesses; businesses mainly engaged in providing transportation of passengers and freight by road, rail, water or air. Other transportation activities such as postal services, pipeline transport and scenic and sightseeing transport are included in this division.
3. **Finance & Insurance** - Division K - includes businesses engaged in financial transactions involving the creation, liquidation, or change in ownership of financial assets, and/or in facilitating financial transactions.

Consumer services sectors

4. **Retail Trade & Hospitality (Accommodation & Food Services)** - Divisions G and H - includes businesses engaged in the purchase and on-selling of goods, without significant transformation, to the public. The Retail Trade Division also includes units that purchase and on-sell goods to the public using non-traditional means, including the internet.; businesses providing short-term accommodation for visitors and/or meals, snacks, and beverages for consumption by customers both on and off-site.
5. **Education, Health & Community Services** - Divisions P and Q - includes businesses engaged in the provision and support of education and training, human health care, welfare and social assistance services.
6. **Arts, Recreation, Personal & Other Services** - Divisions R and S - includes businesses engaged in the preservation and exhibition of objects and sites of historical, cultural or educational interest; the production of original artistic works and/or participation in live performances, events, or exhibits intended for public viewing; and the operation of facilities or the provision of services that enable patrons to participate in sporting or recreational activities. Other Services includes a broad range of personal services; religious, civic, professional and other interest group services; selected repair and maintenance activities; and private households employing staff.



What is the Australian PSI®? The Australian Industry Group Australian Performance of Services Index (Australian PSI®) is a national composite index based on the diffusion indices for sales, new orders, deliveries, inventories and employment with varying weights. An Australian PSI® reading above 50 points indicates that the services sector is generally expanding; below 50, that it is declining. The distance from 50 indicates the strength of the expansion or decline. Australian PSI® results are based on responses from a national sample of businesses. The Australian PSI® uses the ANZSIC industry classifications for industry sectors and sector weights derived from ABS industry output data. Seasonal adjustment and trend calculations follow ABS methodology. For further economic analysis and information from the Australian Industry Group, visit <http://www.aigroup.com.au/resourcecentre/economics>.

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